KeepRite
PRODUCTS LIMITED

# ANNUAL REPORT 1969

KEEPRITE PRODUCTS LIMITED

**DIRECTORS**

J. GORDON McMILLEN
Brantford, Ontario

F. STEWART BROWN
London, Ontario

JOHN G. EDISON, Q.C.
Toronto, Ontario

JOHN O. TREPANIER, Q.C.
Brantford, Ontario

IRVIN M. BODINE
Brantford, Ontario

JOHN J. BLACK
Brantford, Ontario

ROSS M. HANBURY
Toronto, Ontario

**OFFICERS**

J. GORDON McMILLEN
President

F. STEWART BROWN
Vice-President
and General Manager
London (Unifin) Division

MRS. ETHEL L. MASON
Assistant Secretary-Treasurer

IRVIN M. BODINE
Executive Vice-President
and General Manager
Brantford Division

JOHN J. BLACK
Secretary-Treasurer

**REGISTRAR & TRANSFER AGENTS FOR CLASS A SHARES**

THE CANADA TRUST COMPANY
Montreal, Toronto, Winnipeg, Calgary and Vancouver

**AUDITORS**

MILLARD, ROUSE AND ROSEBRUGH
Chartered Accountants
Brantford, Ontario

**BANKER**

CANADIAN IMPERIAL BANK OF COMMERCE

**COMPANY PLANTS & OFFICES**

**Head Office** — 44 Elgin Street, Brantford, Ontario

**Plants** — 44 Elgin Street, Brantford, Ontario
— 1030 Clarke Sideroad, London, Ontario

**Sales Offices** — Halifax, Montreal, Ottawa, Toronto, Hamilton, London, Winnipeg, Vancouver.

**Representatives** — Simsbury, Connecticut, U.S.A.
Stafford, England.

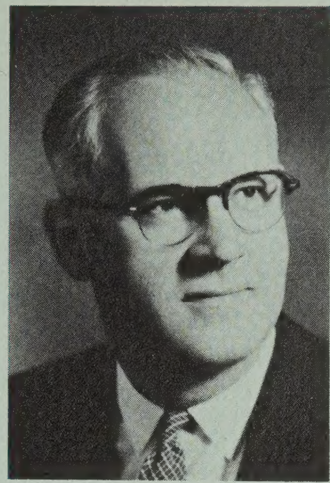
COVER PHOTOS

Top Left — A special, large Diesel engine cooler, ready for shipment from our London plant.

Top Right — Roof-Top Air Conditioning Units under construction at the Heavy Assembly Department in our Brantford factory.

Bottom Left — Commercial Condensing Units being built on Light Assembly line in our Brantford factory.

Bottom Right — Tube expander in Brantford factory; one of the many modern machines used in manufacturing our products.



J. GORDON McMILLEN
President

## REPORT OF THE BOARD OF DIRECTORS

To the Shareholders:

Incorporated by Letters Patent on January 2, 1945, and commencing manufacturing operations on May 1, 1945, your Company has just completed its 25th year, and we present herewith our 25th Annual Report for the year ended December 31, 1969.

In addition to our financial statements, we direct your attention to the charts of our growth over the last five years included in this report and the summary of this growth shown on page 8.

### SALES AND INCOME:

Sales rose to $18,855,691 in 1969, an increase of 24% over last year. The net income after taxes of $786,487 is an increase of 30% over the year 1968, and is equivalent to 4.2% of sales as compared with 4.0% of sales in 1968. Earnings per Class A share in 1969 were 54.4 cents per share as compared to 44.3 cents per share in 1968, based on the number of Class A shares outstanding after the stock split in May, 1969.

### FINANCIAL POSITION:

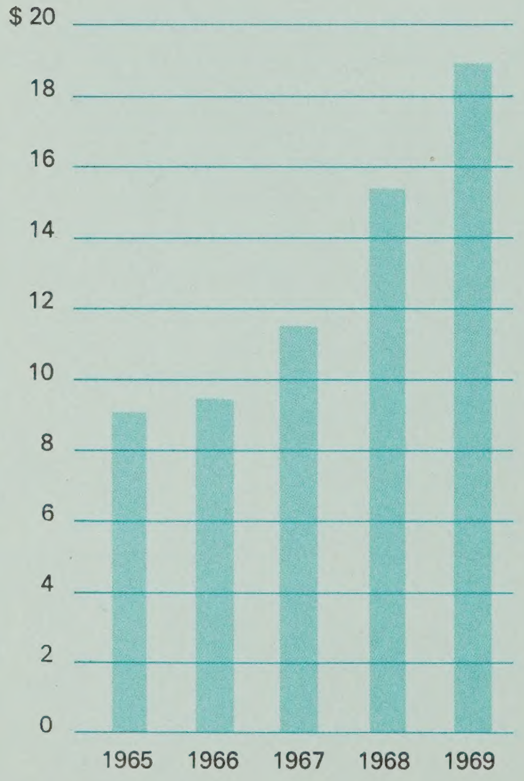
Working capital at December 31, 1969 totalled $3,334,298 — an increase of $442,769 over the preceding year end. The substantial increase in receivables shown in the Balance Sheet is mainly attributable to a high level of shipments in the last two months of the year under review. Increases in inventories are accounted for largely by extended deliveries and conditions at the factories of some of our major suppliers. In order to protect our scheduled production for the first quarter and early part of 1970, sizeable quantities of purchased components had to be brought into inventory well in advance of normal requirements.

Expenditures on fixed assets and production toolage amounted to $443,367 in 1969. Included in this total is approximately $120,000 spent in the first stages of our program to add 36,000 sq. ft. to our manufacturing facilities in Brantford, which addition is presently under construction.

25 YEARS

## REPORT OF THE BOARD OF DIRECTORS
(continued)

**NET SALES**
(IN MILLIONS)
5 YEAR PERIOD




**PERSONNEL:**

During the latter part of 1969, a labour agreement was renegotiated with the Union representing bargaining unit employees at our Brantford plant, and also with the Union representing bargaining unit employees at our London (Unifin) plant. We appreciate the spirit of co-operation and mutual understanding of all the KeepRite people in these groups which led to the successful renegotiation of the contracts.

At the same time, we wish to express our appreciation to all our KeepRite people in every phase of our operations who have played their full and vital part in the Company's progress again this year.

**GENERAL:**

As a manufacturer of refrigeration, air conditioning and heat transfer equipment, your Company is part of a dynamic industry which we believe will continue to show significant growth in the years ahead. We are optimistic for the future and believe that our sales volume will increase at a rate at least comparable to that of the industry. Order bookings for production in the first half of the year indicate a good growth trend for 1970.

However, in an inflationary economy, steadily rising costs of raw materials and components, coupled with problems of supply and availability, will exert pressures on a proportionate profit growth. Every endeavour is being made to minimize such pressures through improved efficiency and productivity.

We should point out that our sales outside Canada constitute a substantial part of our business. In this connection we wish to emphasize that in our view certain tax changes proposed in the so-called White Paper, if implemented, would inhibit the ability of your Company and other Canadian manufacturers to compete successfully in foreign markets in the future.

**APPRECIATION:**

We gratefully acknowledge the confidence of our customers, the assistance of our suppliers, and the interest and support of our shareholders and the financial community during our 25 years of endeavour.

On behalf of the Board of Directors,

**J. GORDON McMILLEN,**
President.

Feb. 26, 1970.

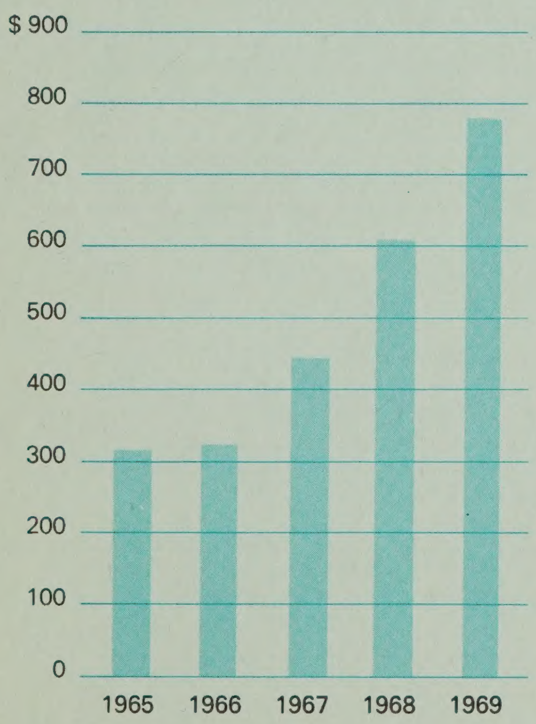
## STATEMENT OF INCOME

| | Year ended December 31 | |
|---|---|---|
| | **1969** | **1968** |
| SALES | $18,855,691 | $15,198,436 |
| Cost of sales, selling, administrative and other expenses exclusive of the items listed below | 16,801,352 | 13,608,105 |
| Depreciation | 336,045 | 259,122 |
| Interest on long term debt | 78,784 | 70,856 |
| | 17,216,181 | 13,938,083 |
| Net income for the year before taxes on income | 1,639,510 | 1,260,353 |
| Taxes on income (Note 1) | 853,023 | 655,934 |
| NET INCOME FOR THE YEAR | $ 786,487 | $ 604,419 |

## STATEMENT OF RETAINED EARNINGS

| | Year ended December 31 | |
|---|---|---|
| | **1969** | **1968** |
| Balance — beginning of year | $ 2,956,174 | $ 2,518,194 |
| Add: Net income for the year | 786,487 | 604,419 |
| | 3,742,661 | 3,122,613 |
| Deduct: Dividends declared | | |
| — Class A shares | 141,067 | 124,946 |
| — Common shares | 80,610 | 40,305 |
| Adjustment on prior years' income tax | — | 1,188 |
| | 221,677 | 166,439 |
| Balance — end of year | $ 3,520,984 | $ 2,956,174 |

### NET INCOME AFTER TAXES
(IN THOUSANDS)
5 YEAR PERIOD



# BALANCE SHEET AS

(with comparative

## ASSETS

| CURRENT ASSETS: | 1969 | 1968 |
|---|---|---|
| Cash on hand and in bank | $ 376,384 | $ 480,721 |
| Accounts receivable after allowance for doubtful accounts | 3,706,863 | 2,066,766 |
| Inventories, valued at lower of cost or market | 3,563,622 | 1,953,327 |
| Prepaid expenses | 45,064 | 5,694 |
| Total Current Assets | 7,691,933 | 4,506,508 |
| OTHER ASSETS: | | |
| Special refundable tax | 5,141 | 9,153 |
| Investments at cost | 3,000 | 3,000 |
| | 8,141 | 12,153 |
| FIXED ASSETS: | | |
| Land, buildings and equipment at cost | 2,561,245 | 2,300,835 |
| Less: Accumulated depreciation | 1,221,732 | 1,068,644 |
| | 1,339,513 | 1,232,191 |
| | $ 9,039,587 | $ 5,750,852 |

Signed on behalf of the Board:

J. GORDON McMILLEN, Director

JOHN J. BLACK, Director

## AUDITORS' REPORT

To the Shareholders of KeepRite Products Limited:

We have examined the balance sheet of KeepRite Products Limited as at December 31, 1969, and the statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the company as at December 31, 1969, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Brantford, Ontario
February 26, 1970.

MILLARD, ROUSE AND ROSEBRUGH
Chartered Accountants

# T DECEMBER 31, 1969
**ures for 1968)**

## LIABILITIES

| CURRENT LIABILITIES: | 1969 | 1968 |
|---|---|---|
| Bank loan | $ 1,399,000 | $ — |
| Accounts payable and accrued liabilities | 2,229,818 | 1,091,077 |
| Salaries, wages and commissions payable, and payroll deductions to be remitted from employees' compensation | 312,935 | 229,060 |
| Income taxes payable | 415,882 | 282,342 |
| Mortgage payable July 8, 1969 | — | 12,500 |
| Total Current Liabilities | 4,357,635 | 1,614,979 |
| DEFERRED INCOME TAXES (Note 1) | 145,461 | 164,192 |
| LONG TERM DEBT: | | |
| Note payable to bank (Note 2) | 1,000,000 | 1,000,000 |

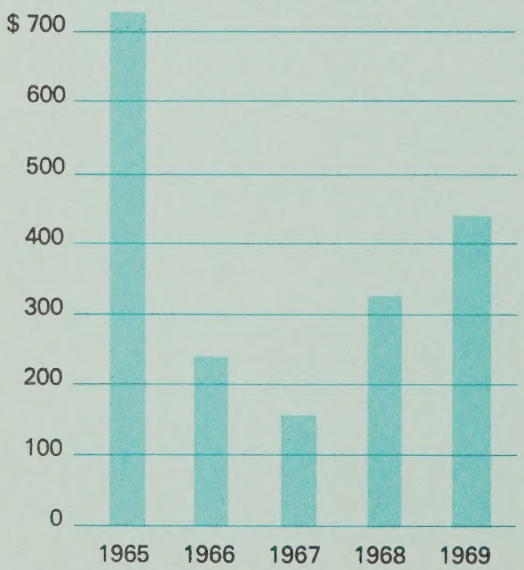
## SHAREHOLDERS' EQUITY

| CAPITAL: (Note 3) | | |
|---|---|---|
| Class A shares without par value and with fixed, preferential, cumulative dividends of 16 ⅔ cents per share per annum: | | |
| Authorized: 900,000 shares | | |
| Issued and fully paid: 604,578 shares | 5,169 | 5,169 |
| Common shares without par value: | | |
| Authorized: 1,500,000 shares | | |
| Issued and fully paid: 1,209,156 shares | 10,338 | 10,338 |
| | 15,507 | 15,507 |
| RETAINED EARNINGS | 3,520,984 | 2,956,174 |
| | 3,536,491 | 2,971,681 |
| | $ 9,039,587 | $ 5,750,852 |

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

| | Year ended December 31 | |
|---|---|---|
| | **1969** | **1968** |
| SOURCE OF FUNDS: | | |
| Net income from operations | $ 786,487 | $ 604,419 |
| Depreciation charged to operations | 336,045 | 259,122 |
| Increase in deferred income tax | — | 7,255 |
| Total funds provided from operations | 1,122,532 | 870,796 |
| Refund of special refundable tax | 4,012 | 6,396 |
| | $ 1,126,544 | $ 877,192 |
| APPLICATION OF FUNDS: | | |
| Dividends declared and paid | 221,677 | 165,251 |
| Fixed assets purchased | 443,367 | 320,558 |
| Decrease in deferred income tax | 18,731 | — |
| Mortgage instalment paid | — | 12,500 |
| Prior years' income tax adjustment | — | 1,188 |
| | $ 683,775 | $ 499,497 |
| Funds retained as increased working capital | $ 442,769 | $ 377,695 |

**NEW INVESTMENT IN FIXED ASSETS & TOOLAGE**
(IN THOUSANDS)
5 YEAR PERIOD



## NOTES TO FINANCIAL STATEMENTS

**NOTE 1:** In addition to the current year's provision for income taxes, an amount of $18,731 is currently payable as a result of claiming for tax purposes capital cost allowance in a lesser amount than depreciation recorded in the accounts. This amount has been charged as a reduction in the balance sheet to deferred income taxes, which had been accumulated as a result of claiming accelerated capital cost allowance for tax purposes in prior years.

**NOTE 2:** The note payable to the bank has a term of 15 months from December 31, 1969, and the interest rate may vary with the prime lending rate. The rate effective at December 31, 1969 was 8½% (December 31, 1968 — 6¾%). The Company anticipates that this note may be renewed.

**NOTE 3:** Supplementary letters patent dated the first day of May, 1969, altered the capital of the company as follows:

(a) Subdivided the 201,526 issued and the 98,474 unissued Class A shares of the company without par value into 604,578 issued and 295,422 unissued Class A shares without par value:

(b) Subdivided the 403,052 issued and the 96,948 unissued common shares of the company without par value into 1,209,156 issued and 290,844 unissued common shares without par value:

(c) Declared the authorized capital of the company to be divided into 900,000 Class A shares without par value and 1,500,000 common shares without par value:

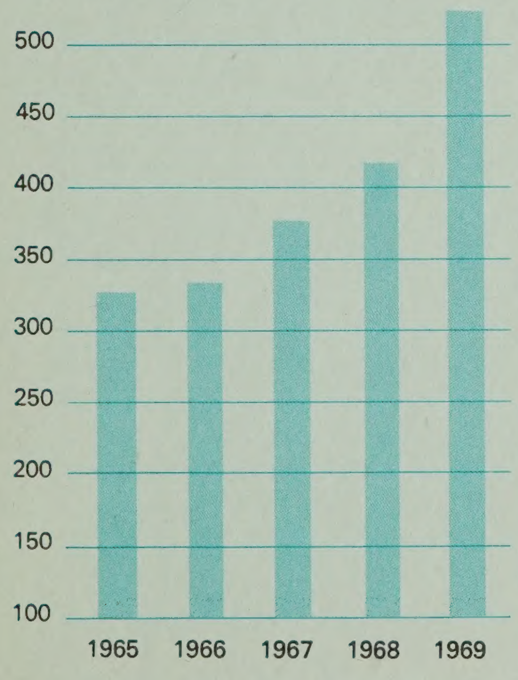
(d) Declared that the fixed, preferential, cumulative cash dividend applicable to the Class A shares as subdivided be at the rate of 16⅔ cents per share per annum.

**NOTE 4:** The aggregate direct remuneration paid or payable by the company to the directors and the senior officers is $201,907 for the year 1969.

**NOTE 5:** The company has a group annuity contract with a large life insurance company which provides, on a contributory basis, retirement benefits for all its employees based on a percentage of average earnings to normal retirement age. The past service liability is being amortized over a 10 year period. The unfunded past service liability as at December 31, 1969, is approximately $19,300 which will be charged to operating costs in 1970.

### EMPLOYMENT GROWTH

(JOBS PROVIDED)
5 YEAR PERIOD



## FIVE YEAR SUMMARY OF FINANCIAL DATA

| | 1969 | 1968 | 1967 | 1966 | 1965 |
|---|---|---|---|---|---|
| **OPERATIONS** (in thousands of dollars) | $ | $ | $ | $ | $ |
| **Net Sales** | 18,855 | 15,198 | 11,688 | 9,690 | 9,129 |
| **Income before Income Taxes** | 1,639 | 1,260 | 913 | 627 | 609 |
| **Income Taxes** | 853 | 656 | 466 | 316 | 307 |
| **Net Income after Taxes** | 786 | 604 | 447 | 311 | 302 |
| **BALANCE SHEET** (in thousands of dollars) | $ | $ | $ | $ | $ |
| **Working Capital** | 3,334 | 2,891 | 2,514 | 1,206 | 1,060 |
| **Fixed Assets — Net after depreciation** | 1,339 | 1,232 | 1,171 | 1,184 | 1,119 |
| **Yearly Depreciation Provided** | 336 | 259 | 179 | 169 | 216 |
| **Annual Investment Fixed Assets and Toolage** | 443 | 320 | 166 | 234 | 715 |
| **Shareholders' Equity** | 3,536 | 2,971 | 2,533 | 2,089 | 1,783 |

25 YEARS